

AR05

Eagle Gold Mines Limited



Annual Report For The Year Ended December Thirty-One 1966

EAGLE GOLD MINES LIMITED

(Formerly Equity Explorations Limited)

| | |
|--|---|
| <p>1.</p> <p>Looking north on the access road to the Joutel Township property of Eagle Gold Mines Limited.</p> | <p>2.</p> <p>Temporary buildings at the site of the shaft. Collar for the three compartment shaft is now under construction.</p> |
| <p>3.</p> <p>Erecting hydro poles along the route of the access road to the property. Poles are now all erected and transmission line strung to the property.</p> | <p>4.</p> <p>Placing explosives for blasting of bedrock during construction of shaft collar.</p> |
| <p>5.</p> <p>Excavator shovel removing blasted rock from site of shaft collar.</p> | <p>6.</p> <p>Wagon drill mounted on full track, used to drill holes for explosives.</p> |

1



2



3



4



5



6





Aerial view of access road to the shaft site. Cleared area at bottom centre is where shaft collar is being constructed. The surface plant of Joutel Copper Mines Limited can be seen at extreme top centre.

DIRECTORS' REPORT

To the Shareholders:

The Directors of your company are pleased to submit the audited financial statements for the year ended December 31, 1966, together with the following general review of the properties and plans for the current year.

As previously advised, new interests acquired effective control of the company and the present Board of Directors was elected to office last November. The new Management took immediate steps to implement the recommendations of its newly appointed consulting mining engineer, Mr. Walter F. Brown, B.Sc., P.Eng., in connection with the gold property in Joutel Township, Quebec.

The contract for the construction of the 3.3 mile access road to the property from the branch of the Matagami Highway was awarded on November 30, 1966. Construction of the access road has been sufficiently advanced to enable the transport of equipment and supplies to the shaft site. Hydro poles have been erected and lines installed to the property.

A mining camp has been established at the Joutel Township property and construction of the collar for the three compartment shaft is now in progress. An eight-foot double drum hoist and a 1,000 c.f.m. air compressor have been purchased and foundations are now being prepared for the installation of these machines. The headframe has been ordered and is now under construction, and a building to house the mining plant has been acquired.

A series of photographs, including aerial views of the mine site and access road, are reproduced in this report. These pictures were taken during early March.

The presently scheduled program is to complete the construction of the shaft collar and headframe, install the hoist and compressor plant and other necessary equipment, and proceed with the sinking of the shaft. It is planned to sink the shaft to a depth of about 1,700 feet to enable the commencement and continuation of underground development work on three levels to explore and fully develop the mineralized zone indicated by surface drilling.

The foregoing program would involve an expenditure of from \$1,500,000 to \$2,000,000, of which an estimated \$1,000,000 would be required for the purpose of carrying the present construction project to completion and to get the underground work of shaft sinking, station cutting, etc., under way. An underwriting covering the sale of 500,000 treasury shares for a total of \$500,000 is being arranged and further financing is planned as funds are required.

The results of the underground exploration and development work will provide a basis for the planning of ultimate production and determine the optimum mill treatment capacity and mining rate. These plans are necessarily contingent to the confirmation of the surface drill indicated ore reserves.

Extensive surface diamond drilling has indicated a mineralized zone tested along a length of about 1,000 feet, with an average true width of 13.1 feet. The zone appears to plunge to the southeast at approximately 45 degrees and has been tested to a depth of 1,500 feet. The indicated orebody is open for extension below this depth.

Surface diamond drill indicated reserves are estimated at 1,600,000 tons of ore of an average grade of 0.41 ounce gold per ton down to the 1,500

foot horizon. This estimate includes a 15% dilution factor.

Preliminary metallurgical test work completed prior to June, 1966, demonstrated that a recovery of 86% of the gold could be achieved through very fine grinding and cyanidation, or by cyanidation of a reground pyrite flotation concentrate. Subsequently, further test work was carried out under the direction of the company's consulting mining engineer, and supervised by Kilborn Engineering Limited. This later metallurgical testing has indicated that an economical recovery of between 90% and 91% can be achieved by fine grinding, pre-aeration with lime and cyanidation.

A slightly higher recovery could be obtained by further refinement of the treatment procedure, probably up to 93%, but the costs entailed would make this added processing uneconomic. The metallurgical test work will be continued to determine if improved recovery can be realized and also to establish the necessary data for detailed milling plant design.

In order to facilitate the financing required for this undertaking, shareholders approved the special resolution of the Directors for the capital reorganization of the company at the Special Meeting held January 31, 1967. Supplementary Letters Patent have now been issued to effect this capital reorganization, details of which are described in the Notes appended to the Financial Statements; and the change of the name of the company to Eagle Gold Mines Limited.

Shareholders will be advised on the progress of the current program through reports to be issued at appropriate intervals.

On behalf of the Board of Directors.

PAUL PENNA,

President.

March 27, 1967.





Left: Aerial view of shaft site. The cleared section left centre shows the shaft collar construction area; Above: Some of the equipment on the site of the shaft construction project; Lower Left: Drilling holes for explosive charges; Lower Right: Mobile post hole digger used in installation of hydro poles.



BALANCE SHEET — *December 31, 1966*

ASSETS

CURRENT ASSETS:

Cash (Note 1)
Accounts receivable

MINING CLAIMS AND PROPERTIES:

— for cash
— for 86,500 shares

DEFERRED — development expenses (per attached statement)
— administrative and general expenses (per attached statement)

ADVANCES TO CONTRACTOR

OTHER ASSETS:

Investment in shares of mining company (at nominal value)
Organization expense

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES (Note 3):

Accounts payable and accrued charges

SHAREHOLDERS' EQUITY:

CAPITAL STOCK (Note 2):

AUTHORIZED:

10,000,000 shares of \$1.00 each

ISSUED AND FULLY PAID:

| | Shares | |
|-----------------------------|------------------|-----------------|
| For cash | 5,217,004 | \$ 5,217,004.00 |
| Less: Discount (net) | | 3,483,373.91 |
| For mining properties | 1,161,500 | \$ 1,161,500.00 |
| Less: Discount | | 988,107.00 |
| | <u>6,378,504</u> | |

NOTE: One share was issued during the year for a cash consideration of 59¢.

DEFICIT (per attached statement)

EQUITY EXPLORATIONS LIMITED

AUDITORS' REPORT

To the Shareholders of
EQUITY EXPLORATIONS LIMITED:

We have examined the balance sheet of Equity Explorations Limited as at December 31, 1966 and the statements of deferred development, administrative and general expenses and deficit for the year ended December 31, 1966. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet, with the notes thereto, and statements of deferred development, administrative and general expenses and deficit present fairly the financial position of the company as at December 31, 1966 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying statement of source and application of funds which, in our opinion, when considered in relation to the aforementioned financial statements, presents fairly the sources and applications of funds of the company for the year ended December 31, 1966.

Respectfully submitted,

SOUPCOFF, STARKMAN, KRAFT & Co.,
Chartered Accountants.

Toronto, Ontario,
January 31, 1967.

Approved on behalf of the Board of Directors:

PAUL PENNA, Director.

JULIUS OSHEROFF, Director.

The accompanying notes to financial statements are an integral part of this balance sheet.

| | |
|------------------|---------------|
| \$ 114,907.57 | |
| <u>10,248.08</u> | \$ 125,155.65 |

| | |
|------------------|-----------|
| \$ 29,500.00 | |
| <u>10,893.00</u> | 40,393.00 |

| | |
|-------------------|--------------|
| \$ 898,415.76 | |
| <u>106,460.58</u> | 1,004,876.34 |

5,712.43

| | |
|-----------------|------------------------|
| \$ 1.00 | |
| <u>7,109.60</u> | 7,110.60 |
| | <u>\$ 1,183,248.02</u> |

\$ 21,420.36

\$ 1,733,630.09

| |
|-------------------|
| <u>173,393.00</u> |
| \$ 1,907,023.09 |

| | |
|---------------------|------------------------|
| <u>(745,195.43)</u> | 1,161,827.66 |
| | <u>\$ 1,183,248.02</u> |

EQUITY EXPLORATIONS LIMITED

STATEMENT OF DEFERRED ADMINISTRATIVE AND GENERAL EXPENSES

For the Year Ended December 31, 1966

| | | |
|--|-------------|---------------------|
| Directors' fees | \$ 1,125.00 | |
| Shareholders' information | 425.77 | |
| Listing and filing fees and expenses | 100.00 | |
| Miscellaneous office expenses | 260.77 | |
| Transfer Agents' fees and expenses | 2,354.76 | |
| Government fees and taxes | 160.00 | |
| Legal and audit | 26,799.15 | |
| Shareholders' meetings | 1,158.00 | |
| Accounting and secretarial fees | 2,750.00 | |
| Advertising | 1,089.56 | |
| Executive officer's fee | 2,000.00 | |
| Finder's fee | 15,000.00 | \$ 53,223.01 |
| Less: Interest earned | | 12,366.15 |
| | | \$ 40,856.86 |
| BALANCE DEFERRED AS AT DECEMBER 31, 1965 | | 65,603.72 |
| TOTAL DEFERRED ADMINISTRATIVE AND GENERAL EXPENSES | | <u>\$106,460.58</u> |

STATEMENT OF DEFICIT

For the Year Ended December 31, 1966

| | | |
|--|-------------|---------------------|
| BALANCE AS AT DECEMBER 31, 1965 | | \$659,334.23 |
| Add: Mining properties written off | \$ 8,213.40 | |
| Write-off of development expenses on abandoned properties .. | 75,944.39 | |
| Write-off of machinery and equipment | 1,703.41 | 85,861.20 |
| BALANCE AS AT DECEMBER 31, 1966 | | <u>\$745,195.43</u> |

EQUITY EXPLORATIONS LIMITED

STATEMENT OF DEFERRED DEVELOPMENT EXPENSES

For the Year Ended December 31, 1966

VALRENNES AND JOUTEL TOWNSHIPS GROUP 1:

| | | |
|---|-------------|--------------|
| Consultants' fees and expenses | \$ 4,036.50 | |
| Geophysical survey | 805.00 | |
| Diamond drilling | 29,555.00 | |
| Camp supplies and expenses | 7,540.00 | |
| Surface prospecting, trenching and sampling | 6,890.00 | \$ 48,826.50 |

JOUTEL TOWNSHIP GROUP 2:

| | | |
|---|--------------|------------|
| Consultants' fees and expenses | \$ 34,211.31 | |
| Geophysical survey | 6,618.61 | |
| Feasibility report | 8,900.56 | |
| Diamond drilling | 71,576.41 | |
| Assays and maps | 412.17 | |
| Metallurgical expenses | 6,603.50 | |
| Camp supplies and expenses | 35,266.10 | |
| Licenses, fees and taxes | (1,360.07) | |
| Surface prospecting, trenching and sampling | 38,813.85 | |
| Transportation and accommodation | 2,713.37 | 203,755.81 |

JOUTEL TOWNSHIP GROUP 4:

| | | |
|--------------------------------|-------------|----------|
| Licenses, fees and taxes | \$ 2,346.00 | 2,346.00 |
|--------------------------------|-------------|----------|

McCAUL TOWNSHIP:

| | | |
|--------------------------------|----------|-------|
| Licenses, fees and taxes | \$ 16.00 | 16.00 |
|--------------------------------|----------|-------|

| | | |
|--|--|---------------------|
| BALANCE DEFERRED AS AT DECEMBER 31, 1965 | | \$254,944.31 |
| | | 719,415.84 |
| | | <u>\$974,360.15</u> |

| | | |
|--|--|-----------|
| <i>Deduct:</i> Expenses on properties abandoned during year written off to deficit | | 75,944.39 |
|--|--|-----------|

| | | |
|----------------------------------|--|----------------------------|
| TOTAL DEFERRED DEVELOPMENT | | <u><u>\$898,415.76</u></u> |
|----------------------------------|--|----------------------------|

EQUITY EXPLORATIONS LIMITED
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
For the Year Ended December 31, 1966

WORKING CAPITAL AS AT DECEMBER 31, 1965 \$390,248.30

SOURCE OF FUNDS:

| | | | |
|--|----|-----------|--------------|
| Sale of share | \$ | .59 | |
| Interest earned | | 12,366.15 | |
| Receipt of advances to contractors | | 30,000.00 | \$ 42,366.74 |

APPLICATION OF FUNDS:

| | | | |
|---|----|------------|---------------------|
| Acquisition of mining claims | \$ | 15,000.00 | |
| Advances to contractor | | 5,712.43 | |
| Development expenses | | 254,944.31 | |
| Administrative and general expenses | | 53,223.01 | 328,879.75 |
| Decrease in Working Capital | | | 286,513.01 |
| WORKING CAPITAL AS AT DECEMBER 31, 1966 | | | <u>\$103,735.29</u> |

EQUITY EXPLORATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

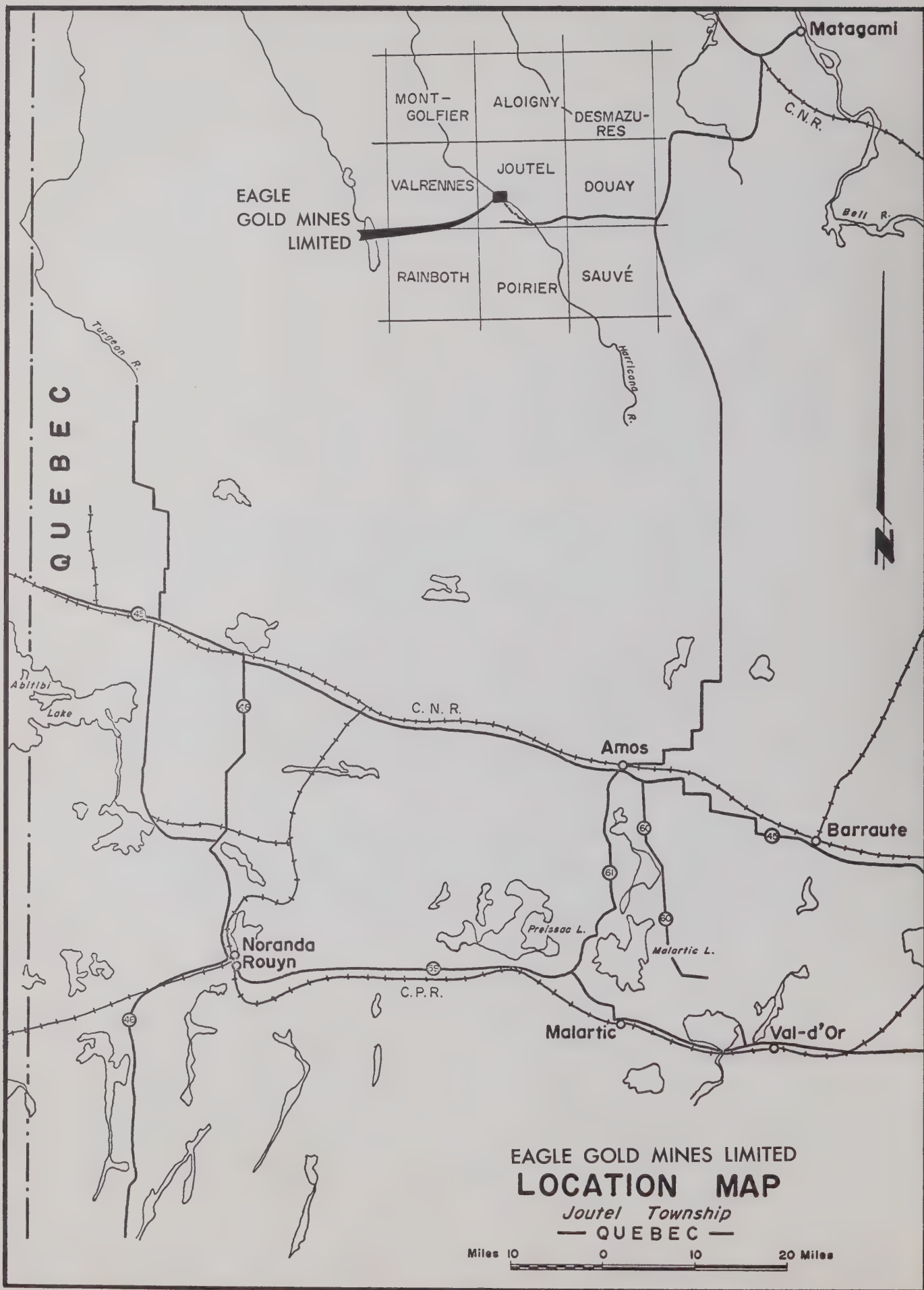
December 31, 1966

NOTE 1: During March, 1965 the company was directed by the Ontario Securities Commission until further notice to refrain from withdrawing any funds or securities without their consent. This direction as it applied to the company was revoked by the Ontario Securities Commission on January 19, 1967.

NOTE 2: At a Special General Meeting of Shareholders held January 31, 1967 approval was given to a special resolution passed by the directors of the company authorizing an application to the Lieutenant-Governor of the Province of Ontario for the issue of supplementary letters patent:

- (a) Changing the name of the company to Eagle Gold Mines Limited; and
- (b) Decreasing the authorized capital of the company from \$10,000,000.00 to \$5,000,000.00 by cancelling pro rata 3,189,252 issued shares with a par value of \$1.00 each and increasing the authorized capital of the company from \$5,000,000.00 to \$6,000,000.00 by creating an additional 1,000,000 shares with a par value of \$1.00 each.

NOTE 3: On November 30, 1966 a contract for construction of approximately 3.3 miles of access road to the company's mining property was let in the amount of \$53,900.00. During December, 1966 preliminary clearing was commenced on the road.





This aerial view shows the townsite of Joutel at the lower right with the access road to the Eagle Gold Mines' property striking off at right angle from branch of main Matagami Highway. The shaft site is barely discernible at the top centre along the shore of the Harricanaw River.



Looking north along the access road, taken at the moment of detonation of explosive charge at the shaft site.

